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E.O. 12958: DECL: 01/19/2020
TAGS: [EPET](#) [ENRG](#) [ECON](#) [EINV](#) [EAID](#) [PREL](#) [IZ](#)
SUBJECT: ALL OIL BID ROUND CONTRACTS TO BE SIGNED BY
JANUARY 31

REF: BAGHDAD 28

Classified By: Economic Minister Counselor John Desrocher for reasons 1
.4 (b) & (d)

11. (SBU) Summary: ExxonMobil and the Ministry of Oil (MOO) have reached agreement on a final contract for part of Iraq's largest oil field. This contract, the last of the ten contracts from Iraq's 2009 oil bid rounds to be initialed, covers development of the super-giant West Qurna Phase 1 field, one of the world's largest oil fields. Agreement was reached after extensive advocacy by the Embassy and two and a half months of negotiations between ExxonMobil and MOO. These negotiations covered MOO's changes to the contract initialed on November 4, 2009, following Iraq's first oil bid round earlier that year. With this agreement, MOO officials tell us that all eight remaining first and second bid round contracts will be signed by January 31. End summary.

ExxonMobil Agrees to Sign West Qurna Phase 1 Contract

12. (C) On January 18, ExxonMobil informed the Embassy that it had reached agreement with MOO on a final contract for West Qurna Phase 1, awarded as a result of Iraq's first oil bid round on June 30. ExxonMobil said MOO agreed to accept its counterproposal to some of the most egregious of the twenty changes MOO had demanded to the contract previously initialed by MOO and ExxonMobil on November 5, 2009. ExxonMobil indicated MOO agreed to retain unchanged, or mostly unchanged, the contract provisions related to "indemnification, assignment of rights, withdrawal, parent guarantee, and customs duties." According to ExxonMobil, the contract will be signed on January 25. ExxonMobil expressed both satisfaction with the final contract and appreciation for the Embassy's support in resolving the impasse.

13. (C) Comment: Although ExxonMobil offered no further details, we assess that these unchanged, or mostly unchanged, contract provisions will allow ExxonMobil: (1) reimbursement of all costs incurred and remuneration fees accrued if an Iraqi authority invalidates or voids the contract; (2) to assign its rights or obligations without MOO's consent to an affiliate or a successor or a company acquiring substantially all of its business and assets; (3) to withdraw from the contract without MOO's consent after it fulfills its minimum work obligations, as defined in the contract; (4) to have this contract with an ExxonMobil affiliate guaranteed by a parent company other than the ultimate ExxonMobil parent corporation, and (5) exemption from customs duties. In addition, we note that ExxonMobil evidently accepted the contract changes that: (1) allow the Iraqi state oil company counterparty to the contract to claim immunity from legal

proceedings or judgment enforcement and to appeal arbitral decisions and oppose their enforcement before a court or governmental authority; and (2) preclude the Iraqi state oil company partner with ExxonMobil in the contract from being considered in default. End comment.

All Companies Have Agreed to Sign Contracts, According to MOO

14. (SBU) With Exxon's agreement to a final contract, all ten consortia of oil companies that were awarded contracts as a result of Iraq's two oil bid rounds in 2009 (on June 30 and December 11-12) have agreed to sign final contracts with MOO, according to MOO's Petroleum Contracts and Licensing Directorate Legal Advisor Dr. Sabah Al-Saidi. Two of the consortia have already signed their contracts: the BP and CNPC (China National Petroleum Corporation) consortium for the Rumaila oil field (its contract entered into force on December 17) and the Royal Dutch Shell and Petronas consortium for the Majnoon oil field. The remaining eight consortia are scheduled to sign their contracts by January 31, according to Dr. Sabah.

15. (C) All the final contracts, except for the BP/CNPC contract, include some, and might include all, of the twenty changes demanded by MOO (reftel). We assess that all the consortia, except for the Eni/Occidental/Kogas consortium for the Zubair field, accepted all twenty changes and that the Eni-led consortium might have gained some concessions on the changes MOO demanded. (Comment: In the past weeks, various Iraqi government officials have incorrectly announced publicly or to econoffs that all companies had agreed to

final contracts. Some of these announcements might have been intended to pressure companies who had not agreed to the demanded contract changes. Although we have not been able to independently confirm the status of every contract negotiation, we assess that it is now very likely that indeed all consortia have agreed to sign final contracts. End comment.)
HILL